GETTING MONETARY POLICY BACK ON TRACK

EDITED BY

Michael D. Bordo, John H. Cochrane, and John B. Taylor

LATIN AMERICAN INFLATION

15

Latin American Inflation and Chile's Market-Oriented Reforms

Sebastian Edwards

When John Taylor called me to contribute a chapter to this book, I immediately agreed and offered to talk about inflation in Latin America. Then, he found out that my new book on Chile (*The Chile Project: The Story of the Chicago Boys and the Downfall of Neoliberalism*) had just been released by Princeton University Press, and he said, "Well, why don't you talk about Chile?" So, since Chile *is* in Latin America and has an interesting inflation history, I will merge the two topics and divide my remarks into two parts. I'll start by talking about inflation in Latin America in general and then zoom into Chile, which is, or was—I'm going to argue that it still is—the brightest star in Latin America, thanks to the market reforms that were implemented with the help of the "Chicago Boys."[1]

Latin America's Inflation Challenges

Latin America has a bad reputation when it comes to inflation. And I will show you that even now, in mid-2023, it's not fully deserved. In fact, Latin America has recently been doing quite well when it comes to inflation. So here are the data on most Latin American countries (see figure 15.1).

I don't have the Caribbean, so it's just Latin America, with two exceptions, Argentina and Venezuela. They are not included in the figure because their inflation is just too high. Both points would be off the chart. Argentina has 110% inflation. So, it would be in

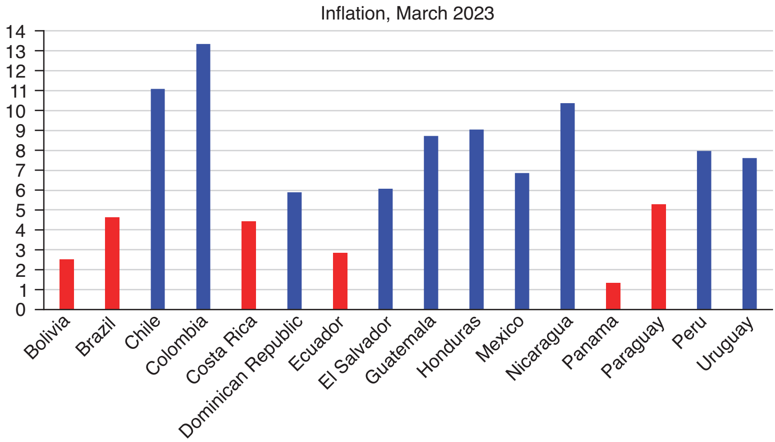

FIGURE 15.1. Annual Inflation Rate in Selected Latin American Countries, March 2023.
The red bars are countries that have, in May 2023, an inflation rate below that of the United States. The figure excludes Argentina and Venezuela.
Source: Trading Economics.

the "high inflation" category, according to the definition in Peter Blair Henry's chapter (see chapter 8). Venezuela has around 400% inflation, but we think the data may be doctored. So, we don't know what the rate of inflation is in Venezuela.

The red bars are countries that have, as this is written in May 2023, an inflation rate below the United States. This is the first time in my career that Brazil has a lower inflation rate than the United States. And the basic reason for that is that it has an independent central bank, which is run by a University of California–Los Angeles graduate, Roberto Campos Neto. We trained him well, yet the president of Brazil, Luiz Inácio Lula da Silva (Lula), wants to get rid of him. And Campos Neto is standing firm and will not allow that to happen and will not step down. They may want to change the law, but it would be a big scandal.

Let me note, before proceeding, that those that don't have inflation as low as the United States don't have very high inflation rates. Only a few countries have double digits, and in most of them, inflation is coming down. Chile had 13%, and two days ago, the new data for April were announced, and it's now 9.9%. So, it made it to single-digit inflation.

Now, what unifies the six countries that have lower inflation than the United States? What do they have in common? They have very high real interest rates, and they follow the Taylor rule in a very strict fashion. And it's not a "generous" Taylor rule. It's a "strong" Taylor rule. So let me give you the numbers. For Brazil, the real interest policy rate, using the ongoing inflation to subtract from the nominal rate, is 9.5%. And that very high real interest rate explains why Lula wants to get rid of Campos Neto. And this is one of the reasons why Brazil has a 4.6% rate of inflation right now and has had an incredibly stable exchange rate. If you remember, during Lula's first presidency, Brazil's currency depreciated quickly.

Let me now focus on the rest of the low-inflation countries. Bolivia has a 2% real interest rate. Costa Rica is at 4%, Ecuador at 6%, and Paraguay at 3%.

Some of these countries have another attribute in common: they don't have a currency of their own. They use the US dollar. And one of the countries with a currency of its own, Bolivia, has a fixed exchange rate. Bolivia is interesting for many reasons. It suffered from hyperinflation in the 1980s and was able to defeat it through a pretty orthodox program. Bolivia also has the third-largest deposit of lithium in the world. And lithium is a big deal right now. So, many people may not know where Bolivia is located within Latin America, but I know for a fact that Chinese lithium companies are rounding Bolivia nonstop and making all sorts of offers to the government. So, Bolivia has a fixed rate and an inflation rate of 2.2%. But—this is the interesting part for economists—it is facing a speculative attack on the currency. And our models—remember our models on speculative attacks went out of fashion because very few countries now have fixed exchange rates? We are going to be able to apply these models

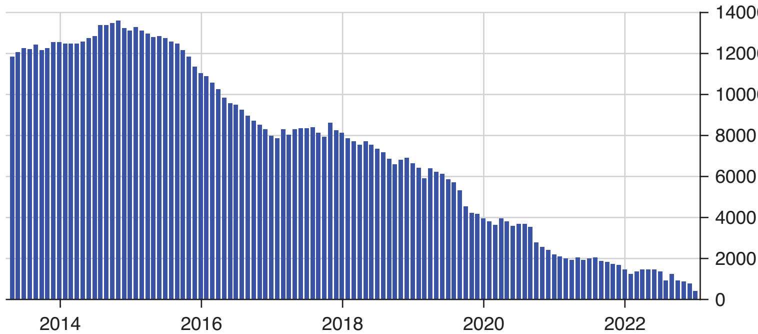

FIGURE 15.2. Foreign Exchange Reserves in Bolivia (in $US Millions), 2013–22.
Foreign exchange reserves in Bolivia decreased to $372 million in January 2023 from $709 million in December 2022.
Source: Central Bank of Bolivia.

again to Bolivia. In figure 15.2, I show the international reserves of Bolivia.

They went from $14 billion, which is a lot of money for a small and poor country like Bolivia, to about $300 million. And any day now, there is going to be a big devaluation and a currency crisis. And how has the Bolivian government dealt with this issue? Badly. The first thing that they did was force the pension funds, with individual savings accounts invested in diversified portfolios, to buy government paper. And now they have decided to sell all the gold the central bank holds on its balance sheet. If you look at the assets, you have gold and special drawing rights (SDRs). But you cannot really sell the SDRs. So, they are selling all the gold to keep the boliviano fixed. But the devaluation will come, and those of us who really like these devaluation speculative attack models will see the whole process in real time.

Let me address the main issues in terms of inflation in Latin America before I move to the case of Chile. One question is, of course, what we have been discussing during many of the sessions in this conference, "r-star." And as I showed you, most Latin American central banks, many being independent, have had no problem raising the policy rate. They understand the Taylor rule and that the parameters don't have to be the same across countries. In countries with traditionally high inflation, it makes sense to use, instead of one and a half, maybe two or two and a half in front of the divergence between their target rate and actual inflation. Their target rate is not quite 2%. It's 3% or a band that goes from 2 to 4%.

A second question, which is very pertinent for Argentina, is whether to dollarize. We had that discussion back in the late 2000s when John Taylor was with the US Treasury department. Taylor and the IMF [International Monetary Fund] were very tough with Argentina while being quite supportive of Brazil and Uruguay at that time. Argentina is again thinking of dollarizing. And the question is if they do dollarize, at what exchange rate? Now you would say that the market exchange rate is the right rate. Well, it's not that easy, because they have multiple exchange rates. They have six different exchange rates. And the spread between the market-determined and the official rate, which is the export rate, the rate at which exporters must sell their dollars to the government, is one to two. Its free rate (known as the "blue dollar") is almost 500 pesos to the dollar, the free and the official rate is 260 pesos to the USD.

Ecuador is currently dollarized and El Salvador is dollarized and uses Bitcoin as the other official currency. Of course, Panama has been dollarized since 1904.

Another important issue in Latin America when it comes to inflation is the pass-through coefficient. If the exchange rate depreciates, how much of that is passed through onto prices? And that, of course, affects inflation. A discussion that economists have in Latin America all the time is whether the central bank should add the exchange rate to the Taylor rule as an additional term. Some argue that the deviation between the exchange rate and the exchange rate supported by fundamentals, or equilibrium rate, should be a third term in the Taylor rule. I think many of us have looked into the issue and concluded that the exchange rate is already in the standard Taylor rule through the actual rate of inflation. And adding it as an additional explicit term would make things more complicated to explain and communicate to people, because it is particularly difficult and controversial to determine if the exchange rate is out of sync with the fundamentals.

Let me move to a third issue, capital and exchange controls. This question has been dormant in the last few years, and in most countries in the region, we now have fairly high capital mobility. The exceptions, of course, are Argentina and Venezuela. But in Chile, you can walk into a bank and say I want to buy $3 million and transfer the money to John Taylor. I would have to give them my details because of drug trafficking and so forth; I would have to give them my tax ID number, address, and whatever. But I could move $3 million with absolutely no problems. But the capital controls issue will come back again. Since John Lipsky left a few years ago, the IMF has become more sympathetic toward capital controls. And I think that is, in most cases, a mistake.

A fourth important issue concerns remittances and monetary policy. I just wrote an evaluation of the Central Bank of Guatemala. One of the most important issues is that they monetize remittances that are 15% of GDP. Given the magnitude of these flows, it is very difficult to sterilize them fully. And this, of course, puts pressure on an exchange rate that appreciates in real terms. Therefore, exporters get really mad. And it's very difficult to convince the Guatemalans that this scenario, with very high and stable remittances, is the new state of the world, the "new normal" for Guatemala. It is likely that in the future, more Guatemalans will migrate to the US. They're going to send more money into the country, and that will put additional pressure on the exchange rate. But this is an issue that very few people in the advanced world face. It is, however, very important in a number of Latin American countries, and there is a need to think of policy measures to deal with it.

The final inflation-related issue I want to mention is the revival, in some quarters, of Modern Monetary Theory (MMT). What is interesting is that MMT-type policies have a long tradition in Latin America. I will deal with this in my remarks on the Chilean market-oriented reforms. Needless to say, MMT has had very negative consequences in Latin America and has been behind most (if not all) of the region's experiences with runaway inflation.

The Chilean Market-Oriented Reforms and Inflation

Let me now move to the Chilean part of my inflation story. And it's a fascinating case study. This section is based on my recent book, *The Chile Project*, where I tell the story of the revolution the "Chicago Boys" put together in Chile. And how they transformed a very mediocre country into the brightest star in the Latin American sky.

And as you can see in figure 15.3, Chile moved from being at the bottom of the Latin American region in income per capita in the 1980s to number one. In 1989, when the seventeen-year dictatorship led by General Augusto Pinochet came to an end, Chile had an identical income per capita (in purchasing power parity rates, or PPP) to Ecuador and Costa Rica. Today, income per capita in Chile is twice as high as in Ecuador and 50% higher than in Costa Rica. This is a true miracle. And it was built based on market reforms, wholesale privatization, and the opening up of the economy. Import tariffs in Chile, for all practical purposes right now, are at zero. The Chicago Boys model was used at almost every level. And this is why I label the model as "neoliberal." Notice that I am not using the word "neoliberal" in a bad or pejorative sense. It's true that "neoliberal" has acquired a very bad reputation as a word, but I do believe that if we define it in a clear way, we can use the term in serious analysis. Therefore, I define "neoliberal" as using markets at every possible level. That's what Chile did. And that's

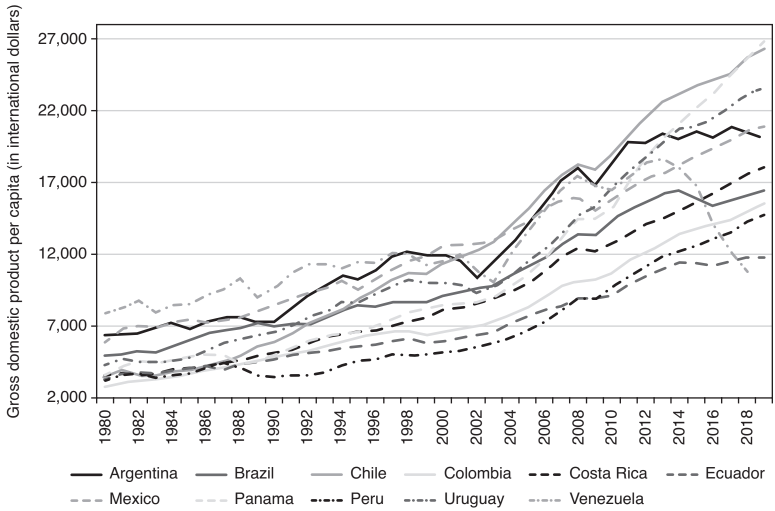

FIGURE 15.3. Gross Domestic Product Per Capita in Selected Latin American Countries, 1980–2019.
Gross domestic product per capita is in international dollars.
Source: The World Bank.

what's behind this miracle. A particularly important component of the policies that generated the miracle was the individual pension savings accounts.

Figure 15.4 shows Arnold (Al) Harberger, who has been called the godfather of the Chicago Boys, with Sergio de Castro, the leader of the group. In figure 15.5, we have the four most important members of the team that modernized the Chilean economy: Sergio de Castro, Sergio de la Cuadra, Pablo Baraona, and Alvaro Bardón.

Milton Friedman had a great influence on the Chilean reforms. He visited Chile twice, and during his first trip in 1975, he met with General Pinochet. That visit was very controversial and haunted Friedman for the rest of his life. The left really took it out on him. He was verbally attacked when he received the Nobel Prize; people in the audience shouted and tried to shut down the event. After 1975, everywhere Friedman went, demonstrators accused him of

FIGURE 15.4. Some of the Chicago Boys.
Sergio de Castro (left) and Arnold Harberger (right).
Source: Rolf Lüders's personal collection.

being an accomplice of Pinochet's and blamed him for supporting human rights violations.

In that first visit—and I'm going to get back to that—Friedman recommended a shock treatment to deal with inflation. And people like Naomi Klein and even Joseph Stiglitz and Paul Krugman criticized Friedman because of the shock treatment in Chile. The second time Friedman went to Chile was in 1981 when Chile was

FIGURE 15.5. More Chicago Boys.
From left to right: Chicago Boys Sergio de Castro, Sergio de la Cuadra, Pablo Baraona, and Alvaro Bardón, circa 1978.
Source: *La Tercera* photo archive.

trying to bring inflation down to a single digit using an exchange-rate-based approach, which failed. And I'll get back to that.

Now, as a parenthesis around that time, John Lipsky lived in Chile and almost ran the country. He was the IMF resident representative. So, any major policy move had to be cleared with him.

In figure 15.6, I show the Chilean six-month annualized inflation, a metric that has recently become quite popular when discussing US inflation.

As can be seen, inflation peaked at 1,600% in September 1973, the month the military deposed the socialist president, Salvador Allende. This is pretty much hyperinflation.

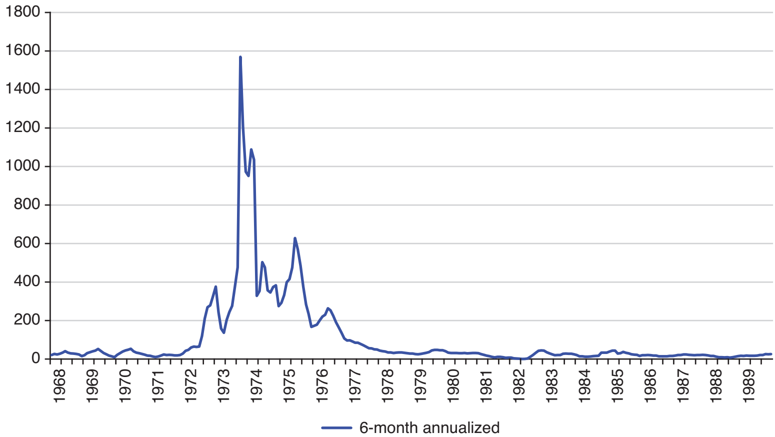

FIGURE 15.6. Six-Month Annualized Inflation in Chile, 1968–89.
Six-month annualized change in consumer price index (CPI). The y-axis represents annualized percentage increase in CPI.
Source: Central Bank of Chile.

The data on inflation in figure 15.6 may be divided into six distinct phases: (a) 1968–71, when inflation averaged approximately 20% per annum; (b) 1971 to September 1973, when the country moved toward hyperinflation; (c) October 1973–May 1975, when it declined to about 400% and got stuck at that level; (d) May 1975–June 1978, with a slow decline to 40%; (e) June 1978–June 1982, when it declined further under an exchange-rate-based stabilization program, and at the end of this period, inflation was 9%; and (f) June 1982–December 1990. After a major currency crisis in June 1982, inflation hovered around 20%. In 1991, outside the graph, inflation targeting was adopted, allowing Chile to have 3% inflation. Chile returned to democratic rule in March 1990.

The first segment (1968–71) is, in some ways, related to Friedman. During this period, the economy was fully indexed. There was full backward-looking indexation with a monetary policy that accommodated whatever inertia there was. And you may not know this, but Friedman became enamored of indexation when Brazil put it in place, big time, in the 1960s. And in the Friedman papers at the Hoover Institution Library & Archives, there is a presentation by Friedman on Brazil's indexation; he was fascinated by it. As I noted, inflation in Chile during this first period was about 20% on average. About once a year, maybe once every eight months, every price, every contract, and the exchange rate were adjusted by past inflation. And it was sort of stable at 20%. The problem with this system is that it has no anchor, and any shock brings you to a different plateau.

The second period (1971–73) corresponds, as noted, to the socialist government. And this is MMT big-time, with the addition of nationalization and wholesale expropriation of arable land, manufacturing firms, all banks, and all insurance companies. This is the period when Salvador Allende, the socialist president, nationalized the copper mines that were then owned by Kennecott Copper Corporation and Anaconda Copper Mining Company, two large mining multinationals based in the US. The government decided the expropriated companies would receive compensation based on book value in 1955. However, there was a wrinkle. "Excessive profits" obtained by the American companies since 1955 would be subtracted from book value. "Excessive profits" were defined as over and above 12%, accrued since 1955. As it turned out, when these calculations were done, the American companies owed money to Chile! During this period, the public sector deficit, broadly defined to include losses of state-owned enterprises (including newly nationalized firms), reached the astonishing figure of 30% of GDP. This extremely large deficit was fully financed through money creation by the central bank. Inflation was 1,600% at the end of the government in September 1973.

The third phase (1973–75) is very interesting and characterized by money targeting with huge fiscal dominance. So, what happened? What's the story? When the military took over, the economy was in shambles. There were shortages, black markets, multiple exchange rates, output declines, and all these companies that had been nationalized by the socialists. At first, the military didn't want to privatize all these companies. They were very nationalistic and initially favored a model where the armed forces ran companies considered "strategic."

However, most of these companies were losing tons of money and feeding the deficit. This had been reduced relative to the Socialist regime, but it was still 10% of GDP and fully financed by the central bank printing money. When Friedman visited in March 1975, inflation was stuck at 400%. And what he found out is what I just mentioned: the central bank was financing the losses from companies being run by generals, colonels, and admirals. Now the armed forces owned a steel mill, and they owned the brewery. And this is when Friedman said, "You guys need a shock treatment." And he recommended they cut government expenditures by 25% overnight. That was done, and inflation came down fairly quickly, as you can see from figure 15.6.

However, once again, it got stuck, this time at around 30%. And that's when there was a change in strategy, and we move to the next phase, 1978–82. At that point, Columbia University's Robert Mundell and University of Chicago's Harry Johnson took over from Friedman intellectually, and Chile fixed the exchange rate to eliminate inflation. The evolution of the peso to the USD exchange rate is reflected in figure 15.7.

Between 1975 and 1979, there was a crawling peg or a mini devaluation system. In mid-1979, however, the exchange rate was completely fixed at 39 pesos per dollar. But inflation continued at 20% per year for several months. So, the real exchange rate strengthened, and the peso became seriously overvalued. A decline in the price of copper in the global market did not help. A very large current account deficit developed, and in mid-1982, there was a big crisis and, as you can see from figure 15.7, a big devaluation.

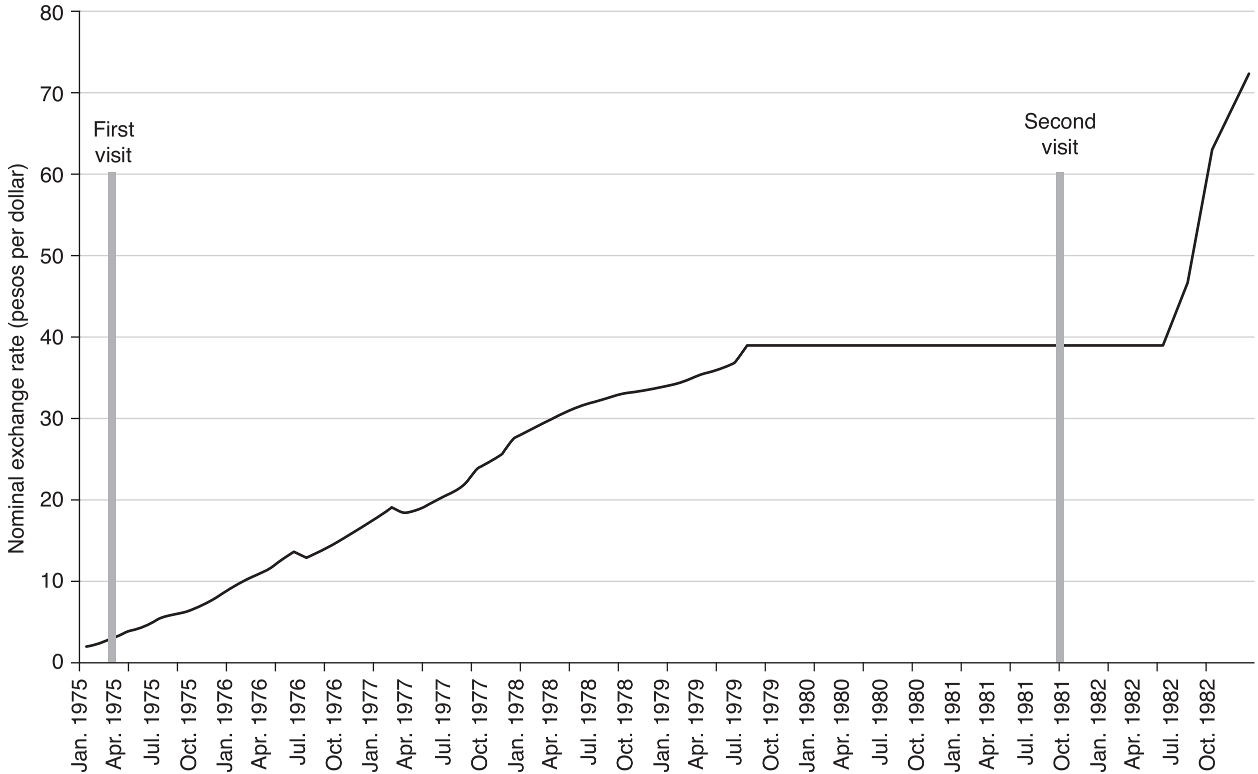

FIGURE 15.7. Nominal Exchange Rate in Chile, 1975–82.
The line corresponds to the nominal exchange rate between the Chilean peso and the US dollar in monthly frequency. The mark "First visit" is Milton Friedman's first visit in March 1975, and "Second visit" is Milton Friedman's second visit in October 1981.
Source: Edwards and Edwards (1991).

During the next inflation phase, there was a lot of pragmatism. A second generation of Chicago Boys took over economic and monetary policy. They implemented real exchange rate targeting with fiscal adjustment, and they privatized a massive number of companies. Now the military didn't own the so-called strategic firms—this was, of course, a very big political struggle. And now the Chicago Boys were able to bring down inflation gradually. In 1992–93, Chile adopted inflation targeting. It was one of the first nations to do so after New Zealand, and inflation started coming down very, very slowly.

When Friedman went to Chile for the second time in October 1981, the current account deficit was almost 12% of GDP. He was asked, "Do you support the fixed exchange rate?" His answers were noncommittal. He didn't say that he supported it, nor did he criticize the policy. A few months after this second visit, it was impossible to defend the fixed rate any longer, and the peso was devalued (see figure 15.7). The devaluation crisis of 1982 was profound and resulted in a rate of unemployment exceeding 25%. That's after the devaluation. Figure 15.8 shows Friedman giving a press conference during his second visit in October 1981.

Was Chile a neoliberal country? Was this a model where markets were used profusely? The answer is "yes." However, it is important to notice that in Chile, there were different phases and that the "neoliberal" model evolved through time. During the early years of the Chicago Boys, the policy was middle-of-the-road. I think it is fair to say that neoliberalism began in 1979 when Pinochet announced major reforms to education, health, pensions, and the judiciary. He also announced a new constitution. The speech was called the "Seven Modernizations" and included individual private accounts for pensions, school vouchers, and vouchers for health services. In addition, there was total privatization, lowering import tariffs to 3%, and absolute fiscal consolidation. But the one thing they didn't do was privatize infrastructure or the corporate company.

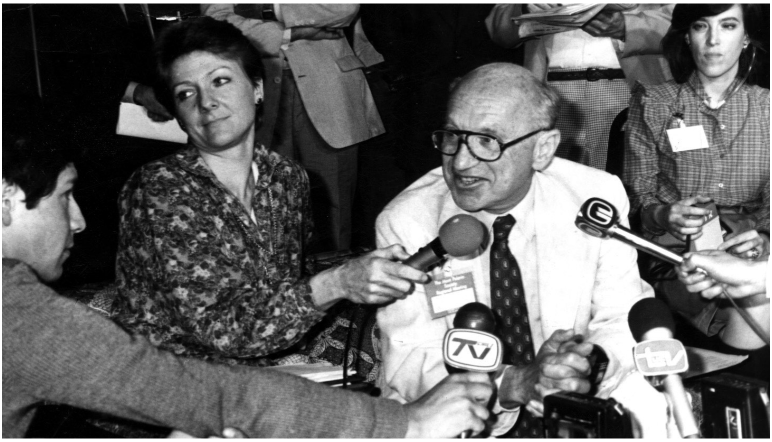

FIGURE 15.8. Milton Friedman Talks to the Media.
Milton Friedman gives a press conference in Chile in November 1981.
Source: *La Tercera* photo archive.

University of Chicago economist Gary Becker had significant intellectual influence during this process, although he never advised the government. In figure 15.9, we can see Becker with some of the second-generation Chicago Boys in Chile.

After the 1982 currency crisis, the policy stance evolved into what I have called "pragmatic neoliberalism." The main goal was to consolidate market orientation and expand privatization, establish the rule of law, provide a robust legal framework for foreign investment, and encourage exports through a competitive exchange rate.

The third phase of Chile's neoliberalism began in 1990, with the return to democracy and the first center-left government from the Concertación coalition. The government led by President Patricio Aylwin took important steps toward expanding the privatization process and further opening the economy. What's very interesting is that many of the newly elected leaders and cabinet members had been in exile, in prison, or tortured by the military. And despite that, they maintained the model. They not only maintained it, but they also deepened it. And they say, well, they didn't say they were

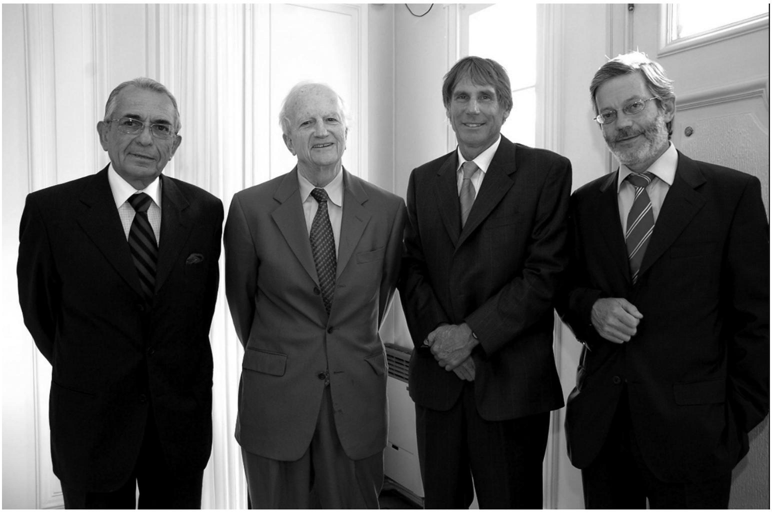

FIGURE 15.9. Another Visitor from Chicago.
From left to right: Carlos Cáceres, Gary Becker, Hernán Büchi, and Juan Andrés Fontaine, Chile, 2007.
Source: Collection of Carlos Cáceres.

neoliberals, but acted and privatized the rest of the firms, the companies that had not been privatized, and expanded the scope of markets. They also improved and expanded social programs. And that's what I have called "inclusive neoliberalism." It was during this phase—from 1990 through 2015, approximately—that Chile really took off and climbed to first place on the Latin American scorecard. The Chicago Boys set up the policies and institutions that allowed the economy to grow at a very fast clip for twenty-five years. But the actual growth spurt took place after the return to democratic rule and under left-of-center administrations. Yes, they were left of center, but their policies were largely neoliberal until 2015 or so.

Around 2015, the model started to face diminishing returns. And the rate of growth went from 7% to 5% to 4% to 3% to 2%, and people became unhappy. And there were riots in 2019. Demonstrators set twenty metro stations on fire, destroyed public and private property, attacked motorists, harassed anyone looking bourgeois, and looted supermarkets, department stores, banks, and pharmacies. The police used heavy-handed tactics and were accused of violations of human rights. On November 15, 2019, politicians from most political parties agreed that a possible way out was to have a national conversation about a new "social pact." This new agreement was to be enshrined in a new constitution. A constitutional assembly was elected in 2021. Most members were from the far left and proceeded to draft a radical constitution that introduced drastic changes to Chile's traditional political system and institutions. They went so far and became so disconnected from the people that in an "exit referendum" to approve or reject the draft, the "reject" option won by a landslide. At this point, a new constitutional council is working on a draft that will be submitted to the people in December 2023. Of course, we don't know yet what this new proposal will look like, but my guess is that it will move the country closer to a social democracy. Several new rights will be enshrined in the constitution, but the economic system will continue to be unabashedly capitalistic but not as market oriented as in the 1990s.

An open question is whether the magic of the miracle propelled by the Chicago Boys will return. Although skeptical, I believe that if social and political middle ground is found, the country can return to robust growth.

References

Edwards, Sebastian. 2023. *The Chile Project: The Story of the Chicago Boys and the Downfall of Neoliberalism*. Princeton, NJ: Princeton University Press.

Edwards, Sebastian, and Alejandra Cox Edwards. 1991. *Monetarism and Liberalization: The Chilean Experiment*. Chicago: University of Chicago Press.

Note

1. "The Chicago Boys" were Chilean economists who were educated at the University of Chicago and had a great influence on the market reforms that were implemented in Chile. Arnold Harberger, who has been called the godfather of the Chicago Boys, had an important influence on this group. Sergio de Castro, Sergio de la Cuadra, Pablo Baraona, and Alvaro Bardón were important exponents (see figures 15.4 and 15.5).

GENERAL DISCUSSION

JOHN TAYLOR (INTRODUCTION): Thank you so much for coming. It's a great event. I have to say the debate back and forth just seems so healthy and reasonable, and I have enjoyed it tremendously. So, thank you all for doing that. Thanks for being here. This is our thirteenth or fourteenth conference, I don't know, but we keep doing them, and they seem successful. Tonight, we're very happy to have Sebastian [Edwards], who is talking about inflation in Latin America. We haven't focused enough on Latin America. So we'll hear about Chile, especially, and other countries in our neighborhood. So thank you, Sebastian.

* * *

STEVEN DAVIS: Chile had an extraordinary policy reform experience that extended over decades, as you just described. Two questions: First, can you give us some insight into the social and political circumstances that made it possible for those reforms to come about? Second, why, given the picture you showed us of Chile's remarkable economic success, haven't other Latin American countries followed in its footsteps?

SEBASTIAN EDWARDS: Okay, so the first one, the way it works is, why was it possible to do it? Because it was a very strict dictatorship. And there were very significant political costs up front. And as you saw, it was very hard to bring inflation down. It was not a point carrier type of system where from one day to the next, you had no inflation. And the shock treatment was very significant. And the exchange rate crisis brought open unemployment to 26%. That does not include emergency employment programs, people just cleaning the parks, and so on. So it was possible to do it because of that. And when the pragmatists took over and the exchange rate was finally allowed to fluctuate, Chile took off. And it started growing at 6%, 7%. And that's when the elections came, and the Left was elected. And the economists from the Left, who had criticized—as John Lipsky was reminding me yesterday, had spent seventeen years criticizing—the Chicago Boys, and the first thing they said is, we're going to continue with these policies. So there's nothing more seductive than success. And they were able to see that things were [succeeding]. And they kept this system for many years now.

Now, why didn't other countries in Latin America follow? Many countries did. And the Chilean pension fund system with individual savings accounts was adopted by Mexico, the Mexico affordance. It was adopted by Argentina. It was adopted by Peru. It was adopted by Colombia. So many, many countries adopted similar policies. Brazil is the one country that has been very reluctant. And the reason is that Brazil thinks in some ways, with good reason, that they are very different. They don't speak Spanish. They are not as good at soccer as the Argentinians, but almost. [*Laughter*] But every time I go to Brazil, and I tell the Brazilians to look at Chileans, their answer is very simple: we export manufactured goods [valued at] about two times Chile's GDP; there's nothing we can learn from that "Mickey Mouse" country.

That's a Brazilian answer. It may be one way or not. . . . So Brazil hasn't done it.

Why did people become unhappy? One problem that happened was that. . . . Let me say something. How do I summarize this whole Chilean story? We went through this amazing miracle. And then it seems to be unraveling, and people are having a revolt and an insurgency. And I think that there was success and neglect. Success is this, and the neglect is that people like us neglected defending the market system. We declared victory. We won the war of ideas. And now we can go and do our thing. And the Chicago Boys joined boards, went to the private sector, and started making a lot of money. And who continued to fight the war of ideas? No one. And they didn't realize that the opponents licked their wounds, regrouped, read Antonio Gramsci, an Italian Marxist, and came back and convinced the young generation that this was very unfair, that they can assist them, that it was very unequal, and so on and so forth. So, I think that one of the lessons is that we have to understand that the war of ideas never ends.

TAYLOR: Thank you.

EDWARDS: Thank you, John.